



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 24

CAPE TOWN INTERNATIONAL CONVENTION CENTRE (MUNICIPAL ENTITY) – BUSINESS PLAN

BUSINESS PLAN

2018/19

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we are a green conscious convention centre

Cape Town International Convention Centre

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1. HIGHLIGHTS

For its 2018/19 financial year, the CTICC will focus its operations to achieve the following targets:

Financial

- EBITDA target: **R7.4m**
- Revenue target: **R286.6m**

Sales & Marketing

- Events: **560**
- International conferences: **32**

Event Delivery

- Client satisfaction: **78%**
- **Five star** grading

Sustainability

- **ISO 22000** application for enhanced food safety

Youth Skills Development

- **12** student & graduate placements

Procurement

- 60% of spend to BBBEE suppliers

2. EXECUTIVE SUMMARY

Introduction

The Cape Town International Convention Centre was established in 2003 with a very clear purpose of contributing to economic growth and job creation in the City and Province through the hosting of international and national conferences, meetings, exhibitions and events. Since then the Centre has not only met but exceeded those expectations on every level.

Contribution to economy

As it approaches its 15th year of operations, the CTICC has sustained over 100 000 direct and indirect jobs since inception, and contributed a considerable R36.3bn to South Africa's Gross Domestic Product (GDP), of which over R32.0bn was injected directly into the Western Cape's Gross Geographic Product (GGP).

As it enters into its first full year of operations in 2018/19, the CTICC's expansion will support our vision and growth outlook, as well as the City's objective of establishing Cape Town as Africa's top business events destination. The increased capacity and flexibility of physical space allows for a higher number, and increased variety, of events that can be held concurrently. This will provide a significant boost to Cape Town's global standing as a premier world-class meetings and events destination at a time when several new convention centres have opened and are being established in key international cities.

Centre for knowledge exchange and service excellence

In this highly competitive market, the CTICC has sought to differentiate its offering from those of its industry peers through a focus on high standards, service excellence and leadership in triple-bottom-line sustainability. There is a strong commitment to innovation, forward thinking and quality, and at the same time a prudent approach to financial management. This, along with an active pursuit of 'knowledge economy' events, has helped to elevate the Centre's position.

There is no doubt that economic growth is increasingly dependent on intellectual capital and we believe that the CTICC has a significant role to play in providing a platform for knowledge exchange and rigorous debate, not only in South Africa but also the broader global economy.

To this end, many of the 482 events hosted by the CTICC in the 2016/17 financial year, especially the international conferences, supported the advancement of industries which have been identified as key catalytic sectors by the City of Cape Town and Western Cape Government for trade, investment and growth. By attracting global associations and experts to the City for these events, the CTICC makes a vital contribution towards growing essential expertise, knowledge and skills.

This document represents the CTICC's Business Plan for the 2018/19 financial year, based on the CTICC's stated purpose to create jobs by attracting key economic business events and exceeding our clients' expectations.

As a state-owned entity, this business plan is duly aligned with the City of Cape Town's Integrated Development Plan (IDP), as well as the Western Cape's Government's Economic Growth Strategy, and is guided by their key principles.

For context, the 2018/19 plan includes an organisational overview of the CTICC and the core reasons for its formation. The CTICC operates in a challenging global context and the market analysis section of this plan provides insight into the broader market environment.

Financial management

The CTICC's financial history indicates that the company has managed to generate an operating profit year-on-year, despite global and economic challenges. The operating profit before interest depreciation and tax (EBITDA) for the 2018/19 financial year is budgeted at R7.4m. The 2018/19 financial year has taken into account revenue and costs for the new building, with the assumption of trading for a full year. The 2018/19 EBITDA budget reflects a R28.6m profit before tax for the existing building and a net loss before tax of R21.1m for the new building. The total revenue budget excluding interest for the 2018/19 financial year is budgeted at R286m.

Each business unit has an implementation framework and a detailed action plan for the next year, which supports overall business objectives. These unit strategies support the core business strategy and explain how key performance indicators will be achieved and how each unit will contribute to the sustainability of the organisation.

Given the Centre's economic mandate, the CTICC is focused on expanding the Centre's international footprint. Sales, client relations and marketing strategies are in place to, firstly, keep the CTICC top of mind with key role-players and decision makers and secondly, position the CTICC as a venue that has the staff and skills, track-record and vision to deliver and exceed clients' expectations. We have several client engagements planned, nationally and particularly internationally, to support this strategy. The CTICC is committed to meet and exceed its event numbers, particularly for international events, and to deliver on the target of the operating profit.

Reinvestment in the business

From a Facilities Management perspective, the CTICC is geared to maintain its 100% spend on capital expenditure and has refined its business process in this regard.

High-quality, contemporary food and beverage play an essential role in the success of the CTICC. It is through this major touchpoint that most of our clients and visitors experience world-class service.

The CTICC focuses on producing an exceptional dining experience with quality food and personalised service, while maintaining strict food safety and hygiene standards. In 2018/19, the Centre will be striving towards further ISO certification, that of ISO 22000 (food safety). This is an exciting challenge which will help our food and beverage offering to meet exacting international standards. We are geared to remain competitively priced and aligned to the latest trends to ensure a competitive advantage.

Insourcing the ICT function during the 2015/16 year produced several benefits such as: internal intellectual property ownership and knowledge, improved turnaround times, operational cost savings and internal upskilling and team integration efficiencies. The team is continually upgrading and deploying the latest hardware and supporting software. This supports the business in executing event hosting activities and ensures a world-class ICT infrastructure. Cyber security remains a top priority for the team, who will be evaluating software and cloud-based artificial intelligence systems to manage threats.

Staff engagement

From an employee relations perspective, the CTICC will continue to focus on enhancing staff development, staff recognition and retention strategies. The success of a service business rests on the talent, commitment and passion of its staff. To this end, the CTICC is committed to employing staff of a high calibre and prioritising training at all levels and for whatever skills are necessary to fulfil the CTICC's mandate.

Unqualified clean audit

The CTICC has for the past five years received an unqualified audit report with no findings and the Centre remains committed to managing and regulating processes throughout the organisation to maintain this record. Procurement from B-BBEE companies is a priority and the CTICC continually strives to improve on its targets.

Ethical business culture and governance

We are committed to upholding and building an ethical business culture. As a sign of this ongoing commitment, the CTICC subscribes to the United Nations Global Compact (UNGC) and adheres to the ten guiding principles in support of a principled approach to doing business.

The CTICC is privileged to have an experienced and stable Board of Directors which directs and governs the CTICC based on its mandate to be self sustaining and contribute to economic growth and job creation.

3. ABOUT THE CTICC

When the CTICC opened its doors in 2003, the media spoke of how this institution would welcome visitors from around the world to this great new venue in Cape Town. Those aspirations have not only been met but have been exceeded on all levels. After 14 years, the CTICC has become an iconic landmark on the business tourism map of Cape Town, South Africa and indeed Africa.

The Centre continues to operate in the following trade segments: international conferences, national conferences, exhibitions, trade fairs, banquets and special events, as well as film shoots and other events.

The value of any internationally competitive convention centre is measured by its economic contribution and financial stability. For a convention centre to contribute significantly and sustainably to an economy, it needs to be invested in that economy and its people.

Since inception, the CTICC has injected more than R36.3 billion into the national Gross Domestic Product (GDP), with over R32.0 billion contributed directly to the Western Cape economy. Over 100 000 jobs have been created, and sustained, since its inception.

The CTICC must remain internationally competitive. The Centre's expansion will raise the global competitiveness of Cape Town as a premier world-class meetings and events destination, in turn allowing the CTICC to meet the City's Integrated Development Plan's objective of establishing Cape Town as Africa's business events destination.

CTICC 2 has 31 148m² gross space which includes 10 000m² of multi-purpose conference and exhibition space, as well as almost 3 000m² of formal and informal meeting space, thus doubling the existing exhibition capacity, which is essential for the growing demand of events to be met.

The CTICC has a reputation for excellence, often leading the way in the quest for improved systems, functionality and sustainability. It maintains three internationally recognised management system certifications (ISO 9001, 14001 and 18001) simultaneously. The Centre retains a Hazard Analysis Critical Control Process (HACCP), has maintained its Tourism Grading Council 5-star rating and achieved Gold AIPC (International Association of Convention Centres) quality standard certifications.

The CTICC is currently transitioning to the newly enhanced ISO 9001:2015 and ISO 14001:2015 standards that apply the Annex SL management structure. We anticipate that the newly enhanced ISO 45001 will replace the current OHSAS 18001 standard with the same Annex SL management structure, aligning our existing system with a higher structural level of management. The ISO 45001 is currently in final draft and, once published later in 2018, the CTICC will transition to this new ISO 45001 in Occupational Health and Safety.

The CTICC's broader corporate sustainability is underpinned by ethical values and ethical business practices. Its adherence to the United Nations Global Compact principles also means operating in ways that meet international responsibilities in the areas of human rights, labour, environment and anti-corruption.

Lastly, as a municipal entity, the CTICC is expected to deliver against a set of Key Performance Indicators (KPIs) that are agreed between the CTICC and the City of Cape Town on an annual basis. Year-on-year, the CTICC has to meet and exceed those targets.

3.1 SHAREHOLDING STRUCTURE

The Cape Town International Convention Centre Company (Convenco) is a state-owned company (ring-fenced). Convenco was formed in 1999 through collaboration between the City of Cape Town, the Western Cape Government and the business sector.

The primary objective behind the formation of the holding company was to deliver a world-class international convention centre in Cape Town that would provide meeting, convention and exhibition services and facilities for local and international organisations and their delegates.

In so doing, it was envisaged by the Convenco co-founders that the CTICC would have a sustainable positive impact on the economic and social development of Cape Town, the Western Cape and South Africa.

Financing of the expansion phase has resulted in changes to the shareholding proportion as illustrated below.

Table 1: Shareholding Structure

Entity	Share portion as at 30 June 2017
City of Cape Town	71.40%
Western Cape Government	23.20%
SunWest International (Pty) Ltd	5.40%

3.2 CTICC'S VISION AND MISSION



VISION

As a leading convention centre, the CTICC's vision is to become one of the world's top ten leading long-haul international convention centres by 2020.



MISSION

How we will bring our vision to reality:

- Maximising economic spin-off and job creation;
- Focusing on innovation and exceeding expectations;
- Achieving service excellence by building capable and quality staff;
- Being a world leader in sustainability.

3.3 CTICC'S OBJECTIVE & VALUES



OBJECTIVE

The CTICC's objective is to create jobs by attracting business events in key economic sectors and exceeding our clients' expectations.



VALUES

We will achieve our mission and vision by applying ourselves with:

- Passion – We live to go beyond
- Innovation – We create magic that gives us the edge
- Integrity – We are transparent in all our actions
- Excellence – We create superior experiences
- Gratitude – We are appreciative of the opportunities provided by the company, the City of Cape Town and the country we live in

The CTICC aims to achieve its objective by being a truly inspirational business that sets the global standard for excellence in business practices, hospitality and event hosting both locally and internationally. Doing business ethically remains at the core of our corporate culture. Driving the knowledge economy and skills exchange are imperative in terms of focusing on key economic sectors of the City and the Western Cape Government.

Of the over 6 900 events hosted by the CTICC over the past 14 years, 545 were international association conferences across a broad spectrum of sectors, including the priority sectors for trade and investment growth as identified by the City of Cape Town and Western Cape Government: agro-processing; business process outsourcing; digi-tech, electronics; oil and gas; retail including clothing and textiles; the green economy including renewable energy; and tourism and events.

By attracting global associations to the City for these events, the CTICC is making a vital contribution towards growing the City, Western Cape Government and South Africa's expertise, knowledge and skills in all these areas, thereby strengthening Cape Town and the Western Cape's competitiveness and potential.

3.4 STRATEGIC ALIGNMENT WITH CITY OF CAPE TOWN'S INTEGRATED DEVELOPMENT PLAN (IDP)

The CTICC is committed to ensuring its activities align and support the City of Cape Town's IDP. As a municipal entity, the CTICC is required to submit, along with the annual budget, a multi-year business plan that sets key financial and non-financial performance objectives and measurement criteria. The mandate of economic growth, job creation and driving the knowledge economy remains at the core of what the CTICC does.

Table 2 illustrates the alignment between the CTICC and the City of Cape Town. The CTICC's business strategy is geared at driving the knowledge economy and contributing to growth in the key economic sectors identified by both the City of Cape Town and the Western Cape Government as strategic areas for job creation and economic growth. Strategic economic sectors include:

- Agro-processing
- Business process outsourcing
- Digi-tech
- Electronics
- Oil and gas
- Retail including clothing and textiles
- The green economy including renewable energy
- Tourism and events.

Table 2: CTICC's Business Objectives aligned to the City of Cape Town's Integrated Development Plan focus

CITY OF CAPE TOWN 2017-2022 IDP focus areas	CTICC Objectives
1. The Opportunity City <i>Economic Growth and Job Creation</i> 	The CTICC aims to maximise economic impact and job creation through: <ul style="list-style-type: none"> • Driving the knowledge economy and skills exchange • Attracting more meetings and events to Cape Town • BBBEE procurement of no less than 60% • Partnering with business tourism role-players • Creating new strategic business opportunities.
<i>Infrastructure-led growth and development</i> 	CTICC 2 has added 10 000 m ² to existing exhibition space and approximately 3000m ² of formal and informal multi-purpose exhibition space. This will allow the CTICC to service high levels of demand by hosting more events concurrently. The expanded facility also supports our commitment to the knowledge economy and economic growth.
<i>Promote a sustainable environment</i> 	The CTICC places a priority on integrating economic, social and environmental sustainability into every aspect of its business. The triple bottom-line approach is informed by a comprehensive environmental policy and monitored by a dedicated sustainability committee within the company.

Leverage assets to drive economic growth



The CTICC's purpose is to contribute to and drive economic growth and job creation, and this mandate is achieved year-on-year.

Training and skills development



To create and maintain a highly capable and talented team requires a multi-faceted approach and we employ a system of rewards and recognition, and mentorship, as well as a focus on our employees' financial and physical wellness.

Service excellence is further enhanced through the continuous innovation of technology and processes.

2. The Safe City



We believe that for a safe experience for our visitors and staff members, safety needs to be addressed in the wider environment and as such the CTICC is a member of Cape Town Central City Improvement District (CCID) and pays a monthly fee for cleaning and security within the precinct and during large events. We also have measures in place to ensure a safe environment on the premises.

3. The Caring City



The CTICC is committed to uplifting and empowering the local community. We support five key Local Community Partners that are aligned with sectors related to CTICC operations. Our focus on volunteerism encourages our staff, suppliers and clients to assist our Local Community Partners through activations and direct skills exchange. The CTICC is also involved in a number of broader community initiatives.

4. The Inclusive City



The CTICC contributes to transformation and ensures inclusivity by consistently meeting and exceeding the target of no less than 60% expenditure with B-BBEE suppliers, women-owned businesses and SMMEs.

5. The Well-run City



We contribute to a well-run city through our compliance with MFMA and other legislation, our adherence to the principals of the King IV Code of Governance, as well as our risk identification and management processes. We are proud of our five clean, unqualified audits.

3.5 KEY PERFORMANCE INDICATORS 2018/19

As a results-driven organisation, much emphasis is placed on the attainment of targets, firstly at an organisational level, and then cascading down to departmental and finally to individual performance assessments. This system of performance management is integral to achieving financial and non-financial targets. The CTICC's performance is measured by the City of Cape Town against a set of KPIs which are reviewed annually by both stakeholders.

Table 3: CTICC Key Performance Indicators (KPIs)

The table below illustrates the agreed KPIs for the financial year 2018/19:

Category		Measurement	Annual Target 2016/17	Actual 2016/17	Annual Target 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21
1	Operating Profit ¹ / (Loss) before tax	Percentage achievement of annual operating profit	100%	475.34%	100%	100%	100%	100%
2	Capital Projects	Percentage of total number of capital projects for the year completed or committed	85%	100%	85%	90%	90%	90%
3	Capital Expenditure (CTICC 2 Expansion)	Percentage of total capital expenditure spend	90%	90%	95%	100%	-	-
4	Quality Offering	Maintain five star tourism grading through effective management of maintenance quality of service delivery	Achieve Five Star Tourism Grading Council	Five Star Tourism Grading Achieved	Achieve Five Star Tourism Grading Council	Achieve Five Star Tourism Grading Council	Achieve Five Star Tourism Grading Council	Achieve Five Star Tourism Grading Council
5	Events	Number of hosted	505	482	535	560	590	610

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category		Measurement	Annual Target 2016/17	Actual 2016/17	Annual Target 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21
6	International Events	Number of international events hosted compared to annual budgeted target	32	36	32	32	32	32
7	External Audit Report	Clean Audit Report ⁽²⁾	Clean Audit Report (2nd Quarter)	Clean Audit Report for 2015/2016 financial year achieved	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)	Clean Audit Report (2nd Quarter)
8	Human Capital Development	Percentage of annual total salary cost spend on training of permanent and temporary staff	5%	6.35%	5%	5%	5%	5%
9	Minimum Competency Level	Number of senior managers registered for MFMA Competency Course	7	7	7	7	7	7
10	Customer Centricity and Service Excellence	77% of minimum aggregate score for all CTICC internal departments and external suppliers	76%	84%	77%	80%	80%	80%
11	Procurement	Supply Chain Procurement from BBBEE suppliers measured in terms of BBBEE Act	Percentage spend not lower than 60%	92.84%	60%	60%	60%	60%

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category		Measurement	Annual Target 2016/17	Actual 2016/17	Annual Target 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21
12	Financial ratios	Total cash and investments, less restricted cash for monthly operating expenditure	RCC = 11,07 times	13.08 times	6.3 times	4.6 times	3.4 times	2.2 times
	• Ratio of cost coverage maintained (RCC)							
	• Net debtors ³ to annual income (ND)	Net current debtors divided by total operating revenue	ND = 2%	0.9%	6.8%	7.0%	7.1%	7.1%
	• Debt coverage by own billed revenue (DC)	Total debt divided by total annual operating income	DC =	0%	0.0%	0.0%	0.0%	0.0%
13	Student programme contribution to youth employment and skills development	Number of students opportunities provided	6	9	6	6	6	6
14	Graduate programme contribution to youth employment and skills development	Number of graduate opportunities provided	3	14	6	6	6	6

Table 3: CTICC Key Performance Indicators (KPIs) (continued)

Category	Measurement	Annual Target 2016/17	Actual 2016/17	Annual Target 2017/18	Annual Target 2018/19	Annual Target 2019/20	Annual Target 2020/21
15	The number of people from the employment equity target groups employed in the three highest levels of management in compliance with a municipal entity's approved employment equity plan	80%	86%	80%	80%	80%	80%

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- 1 Operating profit is defined as earnings before interest, taxation, depreciation and amortisation
 - 2 Clean audit is defined as an unqualified audit report with no material findings on compliance with laws and regulations and predetermined objectives.
 - 3 Net debtors is defined as gross debtors less refunds.

3.6 SITUATIONAL ANALYSIS 2018/19

Macro environment

An ever-changing macro environment presents a complex and dynamic context for the CTICC, consisting of six sub-environments or variables, namely Political, Economic, Social, Technological, Legal and Environmental (PESTLE). This PESTLE analysis highlights the CTICC's current environment and the implications for the business.

Table 4: PESTLE Analysis

Political: <ul style="list-style-type: none"> • International political instability • Negative perception from international clients • Governmental support – National Convention Bureau (Subvention Fund) • Synergy with shareholders 	Economic: <ul style="list-style-type: none"> • Exchange rate fluctuations • Geopolitical influences • Shift in traditional markets • Electricity and fuel costs • Increasing food costs • Flight and accommodation costs • International perception of South African economy (credit downgrade) • Subvention – required for bids • Sugar tax • Staff retention • Lack of transport infrastructure
Social: <ul style="list-style-type: none"> • Cultural aspects • Perception from society and local communities • Sustainability/job creation • High rate of poverty 	Technological: <ul style="list-style-type: none"> • Pace of technology change • Adaption to new technology trends • Lack of national infrastructure to support new technology • Emergence of mobile technology
Legal: <ul style="list-style-type: none"> • Existing legislation • Municipal entity legislation • Immigration and visa regulations • New labour law legislation 	Environmental: <ul style="list-style-type: none"> • Climate change risks • Shortage of energy • Water crisis and associated restrictions affect operations significantly leading to higher operating costs • Food security

3.7 COMPANY ANALYSIS

3.7.1 Brand Essence

The CTICC views its brand as a connector and a platform for opportunity: a brand that brings people together through the hosting of events which exceed expectations through a culture of customer-centric teamwork.

3.7.2 Brand Positioning

The CTICC brand positioning is encapsulated in its purpose: to create jobs by attracting key economic business events and exceeding our clients' expectations. While the CTICC Strategy Pyramid and Value Proposition have been well documented in previous annual submissions, it is important to reinforce its core message. The illustration below has been included for this purpose.

Diagram 1: Strategy Pyramid and Value Proposition



3.8 MARKET ATTRACTIVENESS

The opening of CTICC 2 has allowed the Centre to attract a higher volume of large-scale exhibitions and international conferences of 10 000 or more delegates to Cape Town. It also provides the capacity to expand repeat events and international association meetings.

3.9 SWOT ANALYSIS

To remain competitive, it is necessary to constantly monitor the environment and the factors that affect the business, both positively and negatively.

This revision of the previous year's SWOT Analysis is useful in guiding the CTICC on how to grow its business, capitalise on opportunities and mitigate risk.

Table 5: SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Excellent/diverse culinary offering • High quality building infrastructure • Good governance and service ethics • International standards driven • Committed and passionate staff • High quality in-house service providers • Diverse and flexible product offering • Strong brand awareness • Strong industry commitment to brand and marketing initiatives • Well-established high-yielding repeat client base • Competitive pricing relative to long-haul competitors • Sustainability-conscious organisation • Good city location and access to high quality amenities • Lack of similar-sized venue supply in Cape Town for large international conferences, exhibitions/trade fairs • Surrounding hotels (high level/diverse options/hotel categories) • Long-standing relationship with suppliers • Healthy cash reserves 	<ul style="list-style-type: none"> • MFMA restrictions which impact on competitiveness • Ability to sustain ever-changing technology standards • IT policy and resources limiting innovation • Retention of skilled staff • Inconsistency of service delivery which impacts on reputation and/or financial loss • Key suppliers not meeting standard requirements

Table 5: SWOT Analysis (continued)

Opportunities	Threats
<ul style="list-style-type: none"> • Targeting the South African market for incentive and corporate business • There is a limited number of competitors who can host events of more than a 1 000 pax • Leveraging stakeholder relationships and Cape Town brand initiatives • Long-term commitment on current target markets • Growth of Cape Town as a prime destination • Growing niche and emerging economy markets • Communicating our product range to new markets • Enhanced digital strategy • Use of technology to reduce costs • Favourable exchange rate 	<ul style="list-style-type: none"> • The impact of the water crisis on business sustainability • International demand for short-haul destinations (economic pressure) • Increased local competition from new venues within Cape Town, including conferencing facilities within hotels • Increase in crime in the areas surrounding the CTICC and the reduction of law enforcement presence • Long-term weakness of rand, resulting in increasing operating costs (equipment, international trade shows, etc.) • Government regulations and policies (particularly related to labour legislation, compliance, etc.) • Long-haul destination – associated costs and carbon footprint related to travel • Profit margin erosion due to factors such as increased costs related to water, food, beverage and labour • Revenue erosion due to decreasing customer spend and delegate attendance • Varying business models allow other venues to be more competitive • Increase in virtual and decrease in actual meetings • South Africa ratings downgrade • IT policy dictated by DPSA

Whilst international meetings and conferences represent higher-yielding business opportunities and greater macroeconomic benefits than local events, the market environment analysis indicates that there is a need to have a parallel focus on the CTICC's national market segments footprint. The CTICC's strategic plan for the future needs to take a holistic approach that maximises opportunities across all of the market segments.

4. SALES & MARKETING

4.1 SALES & MARKETING

Sales & Marketing is responsible for generating and sustaining business.

4.1.1 Sales & Marketing objectives

According to the findings of the 2017 International Association of Convention Centres (AIPC) Annual Member Survey, the global convention industry continues to grow and this means increased competition for most convention centres. This has also fuelled strong competition from hotels in major cities.

The Sales and Marketing & Communication team, together with Revenue Management, play a central role in ensuring that the business meets and exceeds the following objectives:

- Maximising revenue
- Securing a range of events
- Exceeding event number targets for international conferences
- Exceeding client expectations through service excellence
- Positioning the CTICC and the City of Cape Town as a highly desirable destination for meetings and events.

4.1.2 Stakeholder groups

Stakeholders/Shareholders

- The City of Cape Town
- The Western Cape Government
- SunWest International (Pty) Ltd
- CTICC Board Members
- Relevant sector organisations and associations, both regional and global, including Cape Town Tourism, South African Association for Conference Industry (SAACI), Cape Town and Western Cape Convention Bureau, National Convention Bureau, International Association of Convention Centres (AIPC), The Global Association of the Exhibition Industry (UFI) and International Congress and Convention Association (ICCA), amongst others.

Clients

- International Associations and Corporate
- National Associations
- Professional Conference Organisers
- Exhibition Clients
- Visitors and Delegates

- Corporate Clients
- Government Organisations
- Event Organisers
- Production Companies

CTICC Staff

- Permanent staff
- Contract staff

Media

- Industry and mainstream online media
- Regional and national newspapers
- Regional and national radio stations
- Online news portals
- Industry and association websites
- Social media

Public

- Local communities

4.2 SALES

The overarching objective of the Sales team is to increase the CTICC's competitiveness in the global long-haul market through successfully bidding for International Association conferences, as well as targeting corporate and government events in the region.

- As a venue, the CTICC's specialises in delivering events in the following segments:
- International conferences
- National conferences
- Exhibitions
- Trade fairs
- Special events (sports, cultural & leisure events)
- Banquets
- Film & photoshoots
- Other events (workshops, training seminars, exams, product launches, breakfasts, AGMs & corporate roadshows)

In order to attract and host events, the CTICC targets clients and event planners in the following markets:

- International and local associations
- Businesses and corporate organisations
- Exhibition and trade fair organisers
- Governmental departments
- International developmental organisations
- Film production companies
- Cultural event organisers
- Music and sport promoters

In the international market the Centre's primary business will continue to be derived from European and British association markets but there are opportunities with international associations headquartered in Africa, as well as the American corporate market. Nationally, trade fair, exhibition and national conference segments remain key revenue generators for the business.

The business of securing international conferences involves a bidding process and differs from securing other event segments, where clients normally book with the CTICC.

Associations are a collective of constituted businesses, professions and organisations that have membership within a country and often affiliated to an international association. These international associations would stage a larger international conference (also known as congress, symposium, general assembly) on a regular basis. Often a local representative or association has to bid for the event to take place in their country. Specialised research is required to determine the next opportunity for Cape Town (and the CTICC) to bid, the exact bidding process involved, venue requirements, and the national host who would most likely be in a position to extend the invitation. The CTICC works very closely with the Cape Town & Western Cape Convention Bureau as well as the National Convention Bureau to bid for international conferences.

Lead times can be very long, e.g. six or eight year gaps between bidding for a particular world congress is not unusual.

4.2.1. Sales objectives

Objectives for the 2018/19 financial year focus on promoting and selling the CTICC complex across all event segments as follows:

1. **Build and maintain strong client relationships.**
2. **Generate leads within the City's catalytic sectors.**
3. **Acquire and grow all market segments.**
4. **Retain and grow repeat business.**
5. **Match trends and tactics to maximise the above objectives.**

4.2.2. Sales trends

The top five trends internationally and locally in the meetings and events sector are as follows:

1. **The industry is expanding at a faster rate than worldwide economic growth (AIPC).**
2. **Unique event spaces and dining experiences are in demand.**
3. **Increasing competition requires greater flexibility with lead times, packages and pricing.**
4. **Delegate numbers and budgets are declining.**
5. **Major corporate meetings have the strongest current and near-term growth outlook (AIPC).**

Source: 2017 APIC Member Survey

4.3 MARKETING & COMMUNICATIONS

The Marketing & Communications focus is to execute external and internal marketing and communication initiatives on behalf of the CTICC. It acts as a support function tasked with facilitating sales and maintaining relationships with internal and external stakeholders.

The CTICC's marketing and communications strategy has integrated the expansion into its product offering and narrative, with the key message that the CTICC boasts a number of flexible options. We aim to ensure that in our communication, CTICC 1 and CTICC 2 are viewed as one complex.

4.3.1 Marketing & Communications objectives

The CTICC wants to communicate the fact that it offers more than just flexible venue and catering offerings. It is, in fact, a platform for collaboration and knowledge sharing and wants to be known for creating unique and memorable experiences across all event segments. Marketing and communication messaging will focus on these key messages via the "Experience extraordinary" promise.

For the 2018/19 financial year, the key marketing and communication objectives are to:

1. **Ensure that the delivery of all marketing and communication action plans contributes measurably to the CTICC's overall business development objectives.**
2. **Establish viable, business-generating partnerships with selected key stakeholders that can leverage our marketing programmes and add value to our business development efforts.**
3. **Demonstrate the successes of the CTICC.**
4. **Engage effectively with internal and external audiences.**
5. **Raise the profile of CTICC amongst key decision makers in local and international markets.**

4.3.2. Marketing & Communication trends

We plan and execute our campaigns and promotions with the following trends in mind:

- The convergence of marketing and corporate communication, using the Agile marketing approach.
- An increased focus on customer experience.
- Thought leadership as a larger share of PR budgets.
- The continued shift towards mobile content, including increased video content and quality, such as live video streaming.
- More social media marketing, including curating user-generated content and customer reviews to create communication messages and build brand reputation – influencer marketing via social review websites.

Sources: forbes.com, bizcommunity.com, walkersands.com

4.4 REVENUE MANAGEMENT

Revenue Management supports the Sales and Marketing & Communications functions by ensuring that the CTICC maximises its revenue streams, occupancy levels and revenue yields, while adhering to agreed rate negotiation policies. The focus is on multiple-year deals to secure repeat business.

5. EVENTS DELIVERY

Events Delivery consists of three areas, all of which ensure the successful planning and management of events that come into the CTICC. They are:

1. Events Management
2. Operational Support
3. Food & Beverage

These three areas combine to provide seamless, profitable and sustainable service delivery across all our event segments and activities, providing logistics, ICT, security, parking and food and beverage services.

5.1 EVENTS MANAGEMENT

Event management in the context of the CTICC forms part of the second of a three-phase process flow in which an event is planned, coordinated and executed.

Event Management is tasked with contributing to meeting and exceeding of budgets, such as Food & Beverage and Operations. The CTICC strives to deliver service excellence within a 24-hour turnaround time while building client relations in order to promote repeat business.

5.1.1. Event Management objectives

The key objectives are:

1. **The successful and profitable management of events**
2. **Up-selling Food & Beverage offerings, IT, facilities and sub-contracted services**
3. **Constant improvement of client relationship management**
4. **Departmental training and development, cross-departmental training and knowledge sharing**
5. **Monitoring of systems and internal processes to improve efficiencies, turnaround times and client experience.**

These objectives are met through a range of tactical implementations as referenced above.

5.1.2. Events Management trends

Meetings and event sector trends indicate the following:

1. **Social media marketing of events is growing, boosting the sharing of experiences instantly with anyone, anywhere – excellent connectivity is key.**
2. **An increase in unusual requests to make events highly personalised requires flexibility and a nimble response to client needs.**
3. **Increased demands come hand in hand with discount negotiations, especially for multi-event packages – cost containment and in-housing assist with this.**
4. **Clients increasingly prefer to use their own vendors rather than preferred supplier.**

Source: <http://helloendless.com/2017-event-trends/> and AIPC Customer Survey Report

5.2 OPERATIONS

5.2.1 Facilities management

The CTICC seeks to ensure that the facility is maintained in a pristine condition at all times, by continually investing in upgrades and refurbishments which will ensure that the CTICC continues to position itself as one of the world's leading conference centres by creating memorable customer experiences.

Facilities management objectives

This is done through focusing on the following objectives:

1. **Ongoing proactive maintenance of the facility creating productive work spaces**
2. **Rejuvenating and refurbishing facilities.**

Our world-class facility meets both national and international standards, allowing the business to continue to meet and exceed its objectives and drive a positive client satisfaction rating.

Facilities management trends

The 2017 trend analysis by the International Facility Management Association (IFMA) has highlighted the following areas of focus, which have been adopted:

- Sustainability remains important worldwide.
- Complex building systems and controls offer opportunities and challenges.
- Older buildings demand a growing focus on 'repair or replace' policies.
- Disaster preparation is required to ensure business continuity after a disrupting event.
- Complex information also poses challenges but also offers opportunities to improve services.
- Finding top talent is difficult and requires better marketing of the facilities management profession.
- Healthy facilities are a growing requirement as the well-being of building occupants affects bottom lines.
- Special needs and accessibility standards are increasingly covered by local codes and regulations.

5.2.2. Parking

The first and the last client experience of the CTICC is of the parking facilities, so there is a strong focus on service excellence within this environment. Here the team assists clients in event build-up and breakdown logistics planning, as well as ensuring sufficient parking for event attendees, staff and contractors.

Parking objectives

- Provide easy access to and from the parking facilities for all event stakeholders
- Enable and maximise parking availability within the CTICC precinct to as many of its patrons as possible.

5.2.3. Marshalling Yard Logistics

Marshalling yard management is essential to the smooth build-up and breakdown processes required to meet client timelines for show openings and breakdowns.

Marshalling yard objectives

1. Ensure compliance with the City Traffic Services requirements to properly manage the Marshalling Yard and alleviate city congestion
2. Implement event logistics plans and ensure that these are proactively communicated to include both CTICC 1 and CTICC 2
3. Agree build-up and breakdown schedules with clients and stand builders
4. Provide clear access regulations instructions seven days prior to build-up
5. Post signage when and where required and as dictated by event needs.

5.2.4 ICT

The Information Communication and Technology function supports the business both through the provision of service, as well as by generating revenue. In doing so, the ICT focus continues to be on the following key objectives.

ICT objectives

- Harnessing emerging technologies to improve service delivery.
- Supporting corporate governance regarding ICT.
- Modernising the digital infrastructure of the complex.
- Providing services that support the business and event hosting activities.
- Upgrading systems to enhance cyber security and disaster resilience.

5.2.5 Health & Safety

The CTICC's focus is to ensure the safety and security of people, property, patrons and assets; and ensure the safe and secure execution of events hosted within the complex, while ensuring that the necessary

Quality, Environmental and Safety Management Systems are maintained at every level so as to retain our ISO Certification and ensure full legislative compliance.

All this is done while assisting in the management of the delivery and execution of safety and security at events, as required by the Safety at Sports and Recreational Events Act and Regulations (SASRE).

Health and safety objectives

- 1. To maintain and secure infrastructure that is safe for clients and stakeholders.**
- 2. To obtain Venue Safety and High Risk Grading certificates.**
- 3. To work in collaboration with CBD stakeholders to improve security measures in the city.**
- 4. To comply with safety and security requirements at events.**
- 5. To provide reassurance and safety for international/national delegates visiting the CTICC & CBD.**

5.2.6 Occupational Health and Safety

There are three components to promoting a safety culture: a healthy environment, emotional well-being and safety and protection. Trends in this area focus on training and supervision as part of the safety culture. In addition, draft legislation for Ergonomics Regulation was published in 2017. Once promulgated in 2018 these regulations will provide guidance on how work is conducted and how equipment should be used in the workplace, the impact on employee well-being and what measures are required to reduce muscular-skeletal injuries or disorders in the workplace.

Workplace safety is assured by our ISO standards and will continue to provide a support framework for management of safety at events for contractors and employees alike.

The CTICC is central to Cape Town and the Foreshore and attracts local and international clients, VIPs, celebrities and dignitaries, to events that might pose security risks and/ or cyber security risks to the center. We aim to provide a safe venue and host events without incident. To this end, the CTICC has engaged and formed close relations with external and supporting law enforcement agencies such as the SA Police Service (SAPS), Metro Police, City of Cape Town Fire Department, Central City Improvement District (CCID) and City of Cape Town Disaster Risk Management Centre. The CTICC venue complex has a disaster preparedness plan in place that covers for eventualities such as fires, viral outbreaks, power-cuts, water shortages, bomb threats, terror attacks or incidents resulting in mass casualty. During this financial year, we plan to coordinate and conduct training exercises with the stakeholders mentioned.

Occupational health and safety objectives

- 1. Ensure full compliance in accordance with legislation governing work and events.**
- 2. Provide continuing education to staff and contractors.**

3. **Retain a low accident rate.**
4. **Offer a safe workplace to staff and contractors.**

5.3 FOOD & BEVERAGE

The Food & Beverage service is one of the key services which contribute to the success of the CTICC. The revenue stream generates about 40% of the CTICC's annual turnover while achieving targeted cost of sales figures. The team plays a vital role in ensuring we deliver world-class experiences to our clients and visitors. We create contemporary food for events ranging from large banquets to snacks for exhibitors and exhibition attendees.

The CTICC has two production kitchens and 23 satellite kitchens, making it one of the largest and most sophisticated in the Western Cape. This allows for prompt and efficient delivery of meals for more than three thousand delegates at a time. We use the latest cooking technologies and follow the most updated culinary trends. Our culinary team is trained and equipped to prepare and produce any type or style of food that is requested by our clients

This Food and Beverage sub-unit consists of the following divisions: Kitchen (Culinary); Front of House (Banqueting and Beverage); Back of House and Coffee shops.

5.3.1 Objectives

The unit focuses on the following core objectives:

1. **Producing exceptional quality cuisine to the highest international standards.**
2. **Maintaining food safety and hygiene standards at a globally-recognised level (we will be applying for further ISO certification namely; ISO 22000 (food safety) in 2018).**
3. **Creating innovative contemporary food within the context of a highly flexible and personalised product and service offering.**
4. **Ensuring we are competitively priced and so remain an efficient and profitable cost centre for the CTICC as a whole.**

5.3.2 Food and Beverage trends

The world of food is ever-changing and food innovation, health and safety factors predominate in the following trends:

- Consumer spending is decreasing and most clients are opting for public, on-the-go catering options rather than taking packages that include set menu or banquet-style meals.
- The industry is vulnerable to food safety, e.g. avian flu, which causes food prices to escalate accordingly.

- The use of organic products is increasing, with the use of processed foods declining as a result.
- In line with this, healthier lifestyles are influencing demand for more healthy eating options.
- Using local and sustainable products e.g. Fairtrade products is also on the increase.
- Creating house-made artisan items, resulting in a unique, individualised and memorable experience for guests, which can be linked to representing the region or country.

6 SUSTAINABILITY

Sustainability is everyone's responsibility and to this end, the CTICC has a clear Corporate Social Responsibility (CSR) strategy. Our Commercial team is responsible for the CSR component while our Operations team takes care of the environmental component of our sustainability strategy. Our mission statement includes the goal of becoming a world leader in sustainability initiatives and sustainability is therefore central to every operation, every decision and every event. While each department has a responsibility to ensure that they 'think sustainability' at all times, it is the mandate of the NOW team to ensure that practical objectives for a sustainable outcome are properly planned and achieved.

The CTICC Nurture Our World (NOW) concept was launched in 2009 and remains the sustainability icon that drives the CTICC's triple bottom line. NOW is the collective initiative that supports other subsidiary initiatives such as MANCO and SETT (Sustainable Events Task Team); ISO Certification (ISO 9001 Quality Management, ISO 14001 Environmental Management and OHSAS 18001 BS Occupational Health and Safety Management).

6.1 SUSTAINABILITY OBJECTIVES

The key objectives of the Sustainability team are as follows:

- To track all sustainability activities to ensure they are having a significant impact (financial and non-financial) on the organisation and contributing to the achievement of its vision and objectives.
- To promote sustainable events through early assessment of construction type and waste that will be derived from events.
- To measurably build the CTICC brand as a world leader in sustainability while leveraging sustainability as a key compelling selling point for the CTICC.
- To refine the CSR strategy to maximise and deepen the impact of targeted investments in support of local community partners, including upcycling initiatives.

These objectives seek to meet the needs of two core strands of our sustainability strategy, namely social sustainability and environmental sustainability.

6.1.2 Social sustainability

Given that the City of Cape Town is the CTICC's majority shareholder, it is truly owned by the people for the people. As such it is vital for the CTICC to focus on maximising its contribution to GDP, GGP and job creation. Its contribution to social capital is therefore an important CSR measure, one supported by a comprehensive CSR strategy, which lists various focus areas for the CTICC's community support. This extends beyond mere financial support and includes skills development, education and overall community upliftment.

Core to this is the CTICC's partnership with its five identified Local Community Partners. These selected partners will benefit from support from the CTICC for three years until new nominations are allowed. The selected partners are:

- Abalimi Bhezekhaya
- Mothers Unite
- Journey of Enrichment
- FARR
- Ikhaya le Themba (Community of Hope).

Based on international trends in sustainability, as well as the CTICC's own experience, an approach to social sustainability that is narrower and deeper (as opposed to broad and shallow support) is most effective and delivers lasting impact. As such, the needs analysis of the community partners will pay close attention to the kinds of "deep" support that may be required. These may include skills exchange, ongoing mentorship, monitoring and evaluation and other contributions.

6.1.3 ENVIRONMENTAL SUSTAINABILITY

The CTICC has made great strides in environmental sustainability in recent years and this environmental sustainability success has, in fact, become one of the CTICC's unique selling points. The CTICC continually improves its energy and water efficiency, as well as providing adequate services for safe disposal and, where possible, recycles its waste. It has also made a concerted effort to raise awareness amongst staff to reduce its carbon footprint.

There follows a brief overview of the water, electricity and waste management strategies going forward.

Water

The CTICC has been reducing its water consumption through its environmental sustainability practices for several years. Over the last six years we have reduced our consumption by an average of 8 million litres per year.

Going forward, we intend to:

- Continue to focus on water resilience plans to reduce dependence on municipal supply
- Source water for cooking and food preparation from non-municipal sources
- Install a reverse osmosis plant, which will provide us with an additional 200kL of water per day, obtained from ground water, which is 50kL more than our average daily water need.
- Install an additional 600kL's of purified water storage capacity.

Electricity

The CTICC's electricity consumption demonstrated a saving of 46 300 kWh (against a reduction of 22 722 kWh in the previous year), which equated to an average saving of 6.0% in electricity consumption per month in the 2016/17 year. kVA peak average usage has also been further reduced by 4.5% from the previous year.

Our commitment going forward is to reduce our electricity consumption by 1% year on year in terms of kWh.

Waste

The CTICC further reinforces its environmental commitment by remaining vigilant about waste reduction in general and minimising waste being sent to landfill in particular. There has been an impressive trajectory that started with just 25% diversion from landfill in the 2010/11 financial year. This past year we achieved an 84% diversion score. Our recycling begins with a rigorous policy of eco-procurement, working primarily with suppliers who offer reusable and recyclable products.

Our commitment going forward is to divert in excess of 80% of our waste from landfill year on year.

6.1.4 ISO CERTIFICATION

In September 2016 the CTICC underwent an Integrated Management Systems Audit for ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 (BS). The CTICC achieved full recertification from the South African Bureau of Standards (SABS), for all three standards, and certificates were issued to reflect this. They expire in September 2018.

The CTICC constantly strives to improve its service delivery and product offering. To this end, it is our intention to align ourselves with further ISO certifications, namely ISO 45001(Health and Safety) and ISO 22000 (Food Safety), planning to be compliant by 2019. ISO standards are the gold standard in terms of certification and reputational management. They also meet risk management and continual improvement requirements.

The ISO 45001 certification will replace the existing ISO OHSAS 18001: 2007 and the ISO 22000 will replace the SANS 10330:2007 HACCP certification, as it has higher industry standards. It is intended that the ISO 9001: 2008, ISO 14001: 2004 will remain and when recertified, achieve the improved level of ISO 9001: 2015, ISO 14001: 2015.

In line with the above, our ISO certification objectives are to

1. Drive ISO standards as part of the embedded CTICC work-life culture.
2. Maintain ISO certification.
3. Implement ISO 45001 as our Safety Management System.
4. Apply for ISO 22000 (Food Safety) accreditation.

7. GOVERNANCE

The company's Board of Directors ("the Board") subscribes to the principles as set out in the King Report on Corporate Governance for South Africa ("King IV"). The Board places a strong emphasis on maintaining high standards of financial management, accounting and reporting to ensure that the company's affairs are managed in an ethical, transparent and responsible manner, while also taking into consideration appropriate risk parameters.

The company has an experienced and stable Board of Directors, which directs, governs and is in effective control of its business. The Board is ultimately responsible for determining the strategic direction of the company through the establishment of strategic objectives and policies. Board meetings are held at least quarterly to review the company's performance against budgeted targets and more frequently if necessary.

The Company Secretariat

The core focus of the Company Secretariat is the effective administration of Board and Shareholder matters and to ensure that procedures and structures are in place to promote good corporate governance by the Company.

The Company Secretariat strives to ensure that the Company has a balanced and representative Board of Directors, which is properly informed and equipped to make the right decisions in the best interests of the Company within the constraints of the legal framework within which it operates.

It is important that Board members are aware of their duties and responsibilities as directors in terms of the applicable legislation and Good Corporate Governance Principles in general. New Board members must therefore receive a thorough induction as soon as possible to enable them to add value to the Company.

It is also important that Board members and shareholders respectively receive comprehensive reports to enable them to make informed decisions regarding the Company.

7.1 Supply Chain Management

The core function of the Supply Chain Management Unit is to ensure that the correct products and services are procured to meet client needs in a manner that is cost-effective and in line with prevailing legislation. SCM plays a pivotal role working in tandem with the line units, to ensure proper planning, market analysis and development of the correct specifications for goods and services

7.1.2 Supply Chain Management objectives

- To ensure legislative compliance.
- To implement detailed demand management and strategic sourcing.
- To institute effective cost saving mechanisms to improve profitability.

- To maximise enterprise supplier development and empowerment and align this to the CTICC's B-BBEE strategy/target.
- To ensure that SCM forms an integral part of the financial management system and the CTICC's digital strategy.
- To align ourselves with industry trends and ensure that CTICC adheres to international best practices.
- To encourage sustainable procurement.
- To achieve an unqualified, clean audit annually.

7.2 UNGC Principles

The CTICC continues to follow the United Nations Global Compact's (UNGC) ten principles as part of the CTICC's leadership strategy. It is divided into four groups: human rights, fair and equal labour principles, embedded environmental principles and anti-corruption. The corporate sustainability principles are:

- Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2 – Businesses should make sure they are not complicit in human rights abuses.
- Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5 – Businesses should uphold the effective abolition of child labour.
- Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Principle 7 – Businesses should support a precautionary approach to environmental challenges.
- Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery.

In addition, this helps position the CTICC as a love brand based on its ability to show care for, and commitment to, the communities in which it operates.

8. HUMAN RESOURCES

Human Resources (HR) is transitioning from a service delivery model to a business partnering model. HR will partner with the business in the formation of strategy, the design of the organisation and implementing the business model. The overall goal of Human Resources is to drive and support the workforce through development, recruitment and retention. It is the CTICC's belief that growing its people contributes to growing the organisation.

The CTICC's corporate value of Integrity clearly states our expectations of employee behaviour. We are transparent in all our actions, and expect ethical behaviour in every single area of our business. Adherence to the UN's Global Compact further demonstrates our commitment to fair labour practices as well as ethical conduct in terms of our contractual obligations with business partners and clients.

Human Capital Development and providing graduate training opportunities are the key HR KPIs for the CTICC. Graduates from the hospitality sector are placed throughout the business to gain valuable work experience. Over and above standard training courses, permanent staff are selected to participate in international knowledge exchange programmes, summits and professional development programmes. They provide a targeted, industry-specific form of training and development, as well as opportunities to establish the kind of industry networks that facilitate future professional growth.

8.1 HR objectives

1. To ensure that the CTICC remains an employer of choice
2. To develop employees in order to create an environment that recognises hard work and talent
3. To identify and improve the cost and efficiency of HR service delivery (e.g. cost of hiring) as well as the time taken to provide the services (e.g. time taken to fill vacancies)
4. To measure effectiveness by doing a cost/benefit analysis of HR service delivery, as well as the HR dashboard and scorecard
5. To raise and maintain the quality and calibre of talent acquisition, as well as the business impact of low vs high performance of staff.

8.2 HR trends

The primary trends in HR are the continued emphasis on:

1. Engaging employees in order to build their commitment to the organisation
2. Focusing on holistic employee well-being, i.e. more than just financial well-being
3. Creating an environment and brand that attracts through its success.

Working with the above trends will lead to the onboarding and retention of passionate employees.

9. FINANCIAL PROJECTIONS

The 2018/19 financial year budget has taken into account twelve months of trade of the CTICC2. The operational plans which are factored into the budgets have taken into account growth in primary and secondary revenue streams, as well as the continuous drive to save on costs. The business needs in respect of capital expenditure, which is also funded from CTICC reserves, have been budgeted at R49.2million for the year. The capital expenditure is for new and existing assets, which will contribute to the CTICC remaining a world class facility.

The 2018/19 budget process was prepared following a similar approach used in previous years. The budget takes into account the current market conditions, such as inflation, historical trend analysis, as well as the proposed city budget guidelines. In certain categories, zero-based budgeting was used, where all expenses were justified and analysed for its needs and cost.

The budgeted 2018/19 operating profit before interest depreciation and tax (EBITDA) for the company is projected at R7.4million for the year. The budget takes into account 12 months of trade of the new building. The existing facility will generate a R28.6million operating profit before interest, depreciation and tax (EBITDA), however, this will be absorbed by the start-up costs of the new building.

The 2018/19 budget includes a 53% (R73million) “blue sky” revenue, as the budget is prepared for the City well in advance of the start date of the 2018/19 financial year, where there are few bookings in the system on which the budget can be based. The new building includes budgeted “blue sky” at 62%.

Due to the nature of our business and the increase in short-term bookings we have always included a portion of “unknown” revenue for the unknown or short-term business. As venue rental income is the primary source of revenue, the other revenue streams’ budgets are prepared with these same assumptions.

Gross Margins is budgeted to be maintained at 81%. Indirect costs for the existing facility has been budgeted to increase at 11% in total, mainly as a result of an increase in tariffs relating to utility services, which have been budgeted to increase in line with the City budget guidelines. The budget 2018/19 reflects a R3.4million net loss for the existing facility and a net loss of R27.3million for the new building. The combined net loss for the 2018/19 financial year is budgeted at R30.7million.

The following table shows the 2016/17 actual amounts as well as the current financial year budgeted, projected to the 2018/19 financial year.

Revenue Projections

Description	Actual 2016/17	Budget 2017/18	Adjustment Budget 2017/18	Budget 2018/19
Revenues	215 647 916	272 780 085	249 737 859	286 614 110
Venue hire	104 571 359	131 570 813	121 641 914	138 802 416
Food & beverage	72 916 440	109 216 786	86 682 993	100 952 552
Parking & other income	38 160 117	31 992 486	41 412 952	46 859 142
Less: direct costs	41 032 042	53 986 365	45 352 197	54 214 572
Cost of sales	23 249 359	37 231 234	29 795 704	34 367 207
Other direct costs	17 782 683	16 755 131	15 556 493	19 847 365
Gross profit	174 615 874	218 793 720	204 385 662	232 399 538
Less: indirect costs	121 553 890	203 651 779	180 338 354	224 974 377
Personnel & management	58 034 761	89 691 353	83 664 946	99 060 631
Building costs	43 419 953	81 950 430	67 529 136	89 718 446
Marketing & other indirect costs	20 099 176	32 009 996	29 144 272	36 195 300
EBITDA	53 061 984	15 141 941	24 047 308	7 425 161
Interest received	28 824 690	11 670 993	11 670 993	4 515 185
Less: Interest paid	3 016	3 651 463	-	-
Depreciation	24 424 138	35 856 554	38 305 661	42 651 499
Impairment	-	667 011 727	667 011 727	-
Net profit/(loss) before taxation	57 459 520	(679 706 810)	(669 599 087)	(30 711 153)
Taxation	13 983 108	-	-	-
Net profit/(loss) after taxation	43 476 412	(679 706 810)	(669 599 087)	(30 711 153)

Capital Expenditure Budget 2017/18-2020/21

Category and description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Building enhancements	43 560 627	18 680 000	20 450 000	21 677 000
IT & electronic infrastructure	15 224 333	15 217 500	15 803 005	16 751 185
Kitchen enhancements	2 348 100	1 348 100	1 348 100	1 428 986
Catering furniture & equipment	6 110 000	5 380 000	1 030 000	1 091 800
CTICC1 operational capex budget	67 243 060	40 625 600	38 631 105	40 948 971
CTICC2	108 232 802	8 566 932	2 000 000	2 120 000
Total capex budget	175 475 862	49 192 532	40 631 105	43 068 971

ANNEXURES

FINANCIAL PERFORMANCE

Three year budget 2017/18 – 2020/21

Category	Actual 2016/17	Budget 2017/18	Adjustments	Adjustment Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
<u>Revenue by source</u>							
Rent of facilities and equipment	104 571 359	131 570 813	(9 928 899)	121 641 914	138 802 416	147 130 561	155 958 394
Interest earned – external investments	28 824 690	11 670 993	-	11 670 993	4 515 185	4 786 096	5 073 262
Other revenue	111 076 557	141 209 272	(13 113 327)	128 095 945	147 811 694	156 680 395	166 081 221
Total revenue	244 472 606	284 451 078	(23 042 226)	261 408 852	291 129 295	308 597 052	327 112 877
<u>Expenditure by type</u>							
Employee related costs	57 456 981	88 887 349	11 373 905	77 513 444	92 093 188	98 432 407	104 338 352
Remuneration of board members	577 780	804 004	104 004	700 000	756 000	816 480	881 798
Depreciation & asset impairment	24 424 138	702 868 281	(2 449 107)	705 317 388	42 651 499	45 210 589	47 923 224
Other expenditure	104 551 171	167 946 791	20 469 684	147 477 107	186 339 761	198 164 588	210 038 135
Finance Charges	3 016	3 651 463	3 651 463	-	-	-	-
Total expenditure	187 013 086	964 157 888	33 149 949	931 007 939	321 840 448	342 624 064	363 181 509
Surplus/(deficit) before taxation	57 459 520	(679 706 810)	10 107 723	(669 599 087)	(30 711 153)	(34 027 012)	(36 068 632)
Taxation	13 983 108	-	-	-	-	-	-
Surplus/(deficit) after taxation	43 476 412	(679 706 810)	10 107 723	(669 599 087)	(30 711 153)	(34 027 012)	(36 068 632)

FINANCIAL POSITION

Three year budget 2017/18 – 2020/21

	Actual 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
ASSETS					
Non-current assets	965 327 037	435 485 511	442 026 544	437 447 060	432 592 807
Property, plant and equipment	961 750 268	431 908 742	438 449 775	433 870 291	429 016 038
Investment in subsidiary	100	100	100	100	100
Deferred taxation	3 576 669	3 576 669	3 576 669	3 576 669	3 576 669
Current assets	268 622 943	145 958 962	129 109 469	107 371 066	83 883 418
Inventories	1 198 165	1 445 270	1 658 679	1 758 200	1 863 691
Trade and other receivables	12 234 789	17 819 387	20 450 595	21 677 630	22 978 288
Receiver of revenue	3 002 222	-	-	-	-
Cash and cash equivalents	252 187 767	126 694 305	107 000 195	83 935 236	59 041 439
Total assets	1 233 949 980	581 444 473	571 136 013	544 818 126	516 476 225
NET ASSETS AND LIABILITIES					
Net assets	1 152 903 559	483 304 472	452 593 320	418 566 308	382 497 676
Contribution from owners	1 277 427 701	1 277 427 701	1 277 427 701	1 277 427 701	1 277 427 701
Accumulated deficit	(124 524 142)	(794 123 229)	(824 834 381)	(858 861 393)	(894 930 025)
Current liabilities	81 046 421	98 140 001	118 542 693	126 251 818	133 978 549
Client deposits	19 687 299	22 799 497	26 166 066	27 736 030	29 400 192
Trade and other payables	56 399 313	69 964 071	86 548 574	92 198 178	97 730 068
Provisions	4 959 809	5 376 433	5 828 053	6 317 610	6 848 289
Total net assets and liabilities	1 233 949 980	581 444 473	571 136 013	544 818 126	516 476 225

CASH FLOW STATEMENT**Three year budget 2017/18 – 2020/21**

	Actual 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Cash flow from operating activities	46 029 598	49 982 399	29 498 423	17 566 145	18 175 174
Cash receipts from customers	194 518 338	247 272 107	284 134 522	302 755 477	320 932 555
Cash paid to suppliers and employees	(157 955 761)	(208 960 701)	(259 151 284)	(289 975 428)	(307 830 643)
Suppliers	(106 035 408)	(141 185 611)	(176 999 294)	(202 072 799)	(214 653 856)
Employee costs	(51 920 353)	(67 775 090)	(82 151 990)	(87 902 629)	(93 176 787)
Cash generated from operations	36 562 577	38 311 406	24 983 238	12 780 049	13 101 912
Finance costs	(3 016)	-	-	-	-
Finance income	28 824 690	11 670 993	4 515 185	4 786 096	5 073 262
Taxation paid	(19 354 653)	-	-	-	-
Cash flow from investing activities	(405 436 857)	(175 475 862)	(49 192 532)	(40 631 105)	(43 068 971)
Acquisition of property, plant and equipment	(405 436 857)	(175 475 862)	(49 192 532)	(40 631 105)	(43 068 971)
Cash flow from financing activities	193 000 000	-	-	-	-
Proceeds from share issue	193 000 000	-	-	-	-
Proceeds from long term loan	-	-	-	-	-
Repayment of long term loan	-	-	-	-	-
Increase in cash and cash equivalents	(166 407 259)	(125 493 463)	(19 694 109)	(23 064 960)	(24 893 797)
Cash and cash equivalents at beginning of the year	418 595 026	252 187 768	126 694 305	107 000 196	83 935 236
Cash and cash equivalents at end of the year	252 187 767	126 694 305	107 000 196	83 935 236	59 041 439
Cash generated from operations					
Profit before taxation	57 459 520	(669 599 087)	(30 711 153)	(34 027 011)	(36 068 632)
Adjustments for:					
Depreciation	24 424 138	38 305 661	42 651 499	45 210 589	47 923 224
Interest received	(28 824 690)	(11 670 993)	(4 515 185)	(4 786 096)	(5 073 262)
Impairment	-	667 011 727	-	-	-
Finance cost	3 016	-	-	-	-
Loss on disposal of property, plant and equipment	1 187 609	-	-	-	-
Increase in provision for bonuses	1 421 981	416 624	451 620	489 556	530 679
Increase in provision for impairment of trade receivables	186 042	-	-	-	-
	55 857 616	24 463 932	7 876 782	6 887 038	7 312 010
Movements in working capital	(19 295 039)	13 847 474	17 106 457	5 893 011	5 789 903
(Increase)/decrease in inventories	61 647	(247 105)	(213 408)	(99 520)	(105 491)
Decrease/ (increase) in receivables	5 649 882	(2 582 376)	(2 631 208)	(1 227 036)	(1 300 658)
Increase (decrease) in payables	(25 006 568)	16 676 955	19 951 073	7 219 567	7 196 052
	36 562 577	38 311 406	24 983 239	12 780 049	13 101 912

CTICC 1

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CTICC 2

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